





ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1966



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Transfer Agents

Morgan Guaranty Trust Company
30 West Broadway
New York, N. Y. 10015

Continental Illinois National
Bank & Trust Company
231 South La Salle Street
Chicago, Illinois 60690

Crocker-Citizens National Bank
1 Montgomery Street
San Francisco, Calif. 94120

Debenture Trustee

Bankers Trust Company
280 Park Avenue
New York, N. Y. 10017

Registrars

First National City Bank
55 Wall Street
New York, N. Y. 10005

The First National Bank of Chicago
38 South Dearborn Street
Chicago, Illinois 60690

Bank of America
1 South Van Ness Avenue
San Francisco, Calif. 94120

Annual Meeting

The annual meeting of shareholders will be held at 2:00 P.M. on Wednesday, April 12, 1967, at the Commodore Hotel in New York City. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to shareholders approximately 30 days in advance of the meeting.

FINANCIAL HIGHLIGHTS

	1966	1965
Net sales	\$719,600,000	\$675,600,000
Income from operations	78,200,000	74,700,000
Net income	40,800,000	38,400,000
Net income per dollar of sales	5.7 cents	5.7 cents
Net income per common share	2.99	2.80
Dividends declared per common share	1.90	1.80
Common dividends declared	25,900,000	24,600,000
Earnings retained	14,900,000	13,800,000
Plant and equipment additions	25,600,000	23,100,000
Working capital	98,100,000	98,100,000

NABISCO In Brief

Founded in 1898, National Biscuit Company has long been one of the nation's major food processors. Although the Company has been best known in the cracker and cookie field, this image has changed considerably as new product lines have been added.

NABISCO currently markets over 1,000 consumer products at home and abroad. Some 300 items are produced and distributed in this country, and they include some of America's best-known foods. The Company's domestic products are sold and served in approximately 300,000 retail food establishments throughout the nation.

Increasingly active on the international scene, NABISCO now has subsidiary companies operating in 12 other countries around the world. Over 20 per cent of NABISCO's volume is outside of the United States, and about 30 per cent of the 36,000 employees are located abroad. In addition, exports to over 100 nations add to the international scope of present operations.



NABISCO'S Executive Department: Standing—President Lee S. Bickmore, left, and Executive Vice President Robert M. Schaeberle; seated (left to right), Senior Vice Presidents Edward A. Ostocka, Nile E. Cave, Charles S. Webster and C. Eugene Lair.

To NABISCO Shareholders:

We are pleased to report to you that in 1966 our Company achieved record sales for the eighth consecutive year and record profits for the fifth straight year. This is the first time that our sales have surpassed the \$700,000,000 mark and that net profits exceeded \$40,000,000. Both domestic and international operations made a substantial contribution to these results.

Earnings per common share reached an all time high of \$2.99 on the average number of shares outstanding compared to \$2.80 in 1965. Approximately eight cents of 1966 net income per share resulted from changes in our accounting treatment of depreciation and amortization of the excess of investment over net assets of subsidiaries. During the year we increased our dividends declared by \$.10 per share from an annual rate of \$1.80 to \$1.90. NABISCO has increased its common dividend rate for eight consecutive years.

The year 1966 was not without its difficulties, however. There were several factors which prevented our results from being even better. Among these were a work stoppage in our major bakeries during the third quarter and the resulting necessity for heavy marketing expenditures to regain our momentum; increased ingredient and labor costs; and finally the consumer boycotts which affected the entire food industry.

As a basis for continued growth and profitability, we are continuing with our program of diversification by product and by geographical

location. Fundamentally, our business is to supply the ever-growing demand for convenience foods. In the United States, this demand has reached a high level of sophistication as it has in many other parts of the free world. As the world population becomes more affluent, the demand for our products will grow. Therefore, our corporate objective is to be in a position to supply and to grow with this demand.

Our international companies are progressing well and developing according to our long-range plan. We have now consolidated the results of the balance of our subsidiaries, except for our interest in Galletas Artiach, S. A., Spain, acquired in 1966. Figures for 1965 have been restated on a comparable basis.

To support our worldwide activity we have completed an expansion program at our research and development facilities at Fair Lawn, New Jersey. The work of a growing staff of experts will accrue to the long-range benefit of the Company in providing new and better products of high quality, value and convenience to the consumer.

To manage effectively such a far-flung and vibrant business is, of course, of primary importance. In this respect, the members of the Executive Department, through whom various segments of the Company report, are working effectively in their assignments by bringing unity to our total effort. By assisting all divisions and departments in developing major plans and strategies, the Plans Coordinating Committee has made a considerable contribution to the quality of our over-all performance.

I cannot close this letter without taking note of three important changes in the membership of our Board of Directors. Mr. Roy E. Tomlinson, former President and Chairman of the Board and a member of the Board for 49 years, retired on April 13, 1966. In recognition of his innumerable contributions to the Company, your Board of Directors accorded to Mr. Tomlinson the honorary title of Director Emeritus. This title is to be held by him exclusively.

On April 13, Mr. Livingston Platt, senior partner of the prominent New York law firm of Bleakley, Platt, Schmidt, Hart and Fritz, retired from the Board after some 30 years of service. We will greatly miss his warm friendship and the wise counsel he has always willingly and unselfishly provided to the management of our Company.

Replacing Mr. Platt, we are happy to welcome as a member of our Board, Mr. Charles W. Lubin, founder and former President of the Kitchens of Sara Lee, with whom he has severed his connection.

Finally, to all of my associates within the Company, to our customers, to our suppliers and to you, our shareholders, I wish to extend my sincere thanks for your assistance in making 1966 the finest year in NABISCO'S history. At the same time you have my assurance that your management will spare no efforts in your behalf during 1967.



President

February 1, 1967

NABISCO OPERATIONS 1966

During 1966, the Company continued its over-all program to improve its competitive position and to prepare for the future. This kind of activity is essential for the long term well-being of the Company. Tomorrow's results stem from the plans we make today.

The over-all program took several forms, ranging from capital expenditures for new plant and equipment, to the introduction of new products and new varieties. We will touch on each in some detail.

In May 1966, we formally opened and dedicated one of the world's most advanced cookie and cracker bakeries in Buena Park, California, near Los Angeles. This new and ultra-modern facility will enable us to improve our service to the fast growing markets in the Southwestern United States.

The bakery itself encompasses 375,000 square feet. Its construction is ultra-modern, and it houses equally modern facilities for the production of crackers and cookies. A central control panel, with preset recipes, directs the movement of ingredients to eleven mixing machines. Each of the bakery's 300-foot porcelain and steel ovens is capable of baking more than six million crackers in a single eight-hour shift. The finished products emerge from the oven in two and one-half to seven minutes, depending upon the product being baked.

Construction is proceeding on three additional major food processing plants which will be completed in 1968. One is in Naperville, Illinois, near Chicago. It is being built to improve our abilities to compete more effectively in the large ready-to-eat cereal business. Another is located in Melbourne, Australia. Upon its completion, it will immeasurably improve our production facilities for ready-to-eat cereals in that market. Of even greater significance, this will provide us with the means for our initial entry into the Australian cookie and cracker market. The third, and latest, is a cracker and cookie bakery to be built near Milan, Italy.

Net Sales By Quarters		
(Millions of Dollars)		
Quarter Ended	1966	1965
March 31	\$175.9	\$164.2
June 30	176.3	164.8
September 30	177.9	169.3
December 31	189.5	177.3
Total	\$719.6	\$675.6

This year we established a Food Services Division to improve our ability to meet the demands of the rapidly growing "Away-from-Home" market. This division, with initial operations on the West Coast, will be expanded eastward during the coming year and will supply hotels, restaurants, hospitals, schools, other institutions and vending machine outlets. This is a particular type of business which requires, to be most effective, special distribution, products, packaging and marketing techniques. With the constantly increasing consumption of food away from home, this field offers us a good opportunity for growth.

In the Bread Division, we consolidated three older facilities in Glens Falls, New York; Plattsburgh, New York; and Burlington, Vermont into one large bakery centrally located for this area in Albany, New York. This move should improve our ability to supply this section of the country more efficiently than we have been able to do in the

past. The new facility now produces bread, rolls, and the complete line of MILLBROOK cakes, pies and doughnuts.

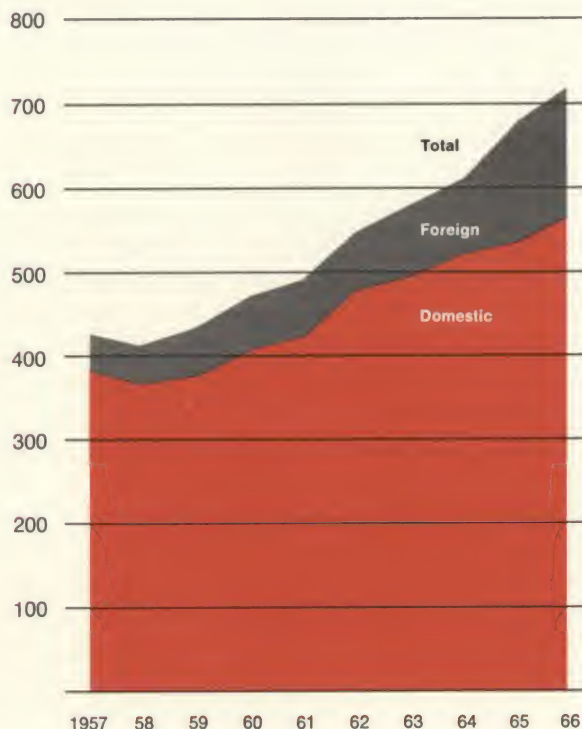
Further, under the supervision of the Bread Division, we are developing a line of new frozen food products. We have for some time been experimenting with and test marketing frozen bakery goods. Although this field has good potential, it is highly competitive and requires experimentation and expert attention to be successful. In September 1966, we began the test marketing of a new line of frozen ready-to-bake cookies under the name EASY BAKE. The results of these tests to date have been very encouraging indeed. Therefore, we continue to view this field with optimism.

In other areas of product innovation we have developed and introduced a new Mix 'n Eat CREAM OF WHEAT. We believe that there is a promising future in hot cereals which are palatable, and easily prepared, and which will be as convenient to serve as the popular ready-to-eat cereals. They will not only supply variety at the morning meal, but also warm and hearty nourishment for the family.

In the ready-to-eat cereal field, we are constantly experimenting with new products and new packages. Currently, we are test marketing an imaginative, novel development of a presweetened cereal, called PUPPETS, packaged in toy-shaped plastic containers.

In the candy industry, our Candy Division is making steady progress throughout the country with the addition of a new supermarket line of candies and the completion of a comprehensive warehouse improvement program in key geographic locations. We have greatly

Net Sales Millions of Dollars





▲ Research assistant makes an analytical check at NABISCO'S Research Center at Fair Lawn, N.J.



▲ Cans of SNACK MATE Cheese Spread enter automatic filling machine at Wrightstown, Wis. plant.



Electronic computers at the General Office speed ► record-keeping and information processing.

increased our storage capacity, and, hence, our ability to provide fast deliveries to virtually any part of the country. In addition, we have built a new automatic chocolate-cherry packaging machine and are at work on the development of new products which look most promising at this time.

Up to this point, we have referred to product innovations in the fields of frozen foods, cereals and candy. However, during the year our largest operating division, the Biscuit Division, was equally active in this respect. Within that organization, product innovation continues to be an activity of prime priority. Among the new products placed upon the domestic market in the past year were:

SHAPIES Cheese-Flavored
Shells
SHAPIES Cheese-Flavored
Dip Delights
DOODADS Snacks
COOKIE TREAT Chocolate
Fudge Creme Sandwich
OASIS Cocoanut Creme
Sandwich

CHIPS AHOY! Chocolate
Chip Cookies
FAMILY FAVORITE Chocolate
Nut Cookies
APPLE STRUDEL Cookies
BAKE SHOP Oatmeal Raisin
Cookies
DANDY Shortcakes
SIP 'N CHIPS Cheese
Flavored Snacks

Below, crackers flow through Buena Park packaging line.



Exterior view of new NABISCO Bakery at Buena Park, Calif.

To date, these products have found favor with the American housewife by continuing to fulfill her desires for variety, value and quality pleasing to her family and friends.

Supporting these programs requires skilled manpower to develop the plans and to handle their execution. Since a company is only as strong as its people, we have continued to recognize the necessity for constant manpower training and development.

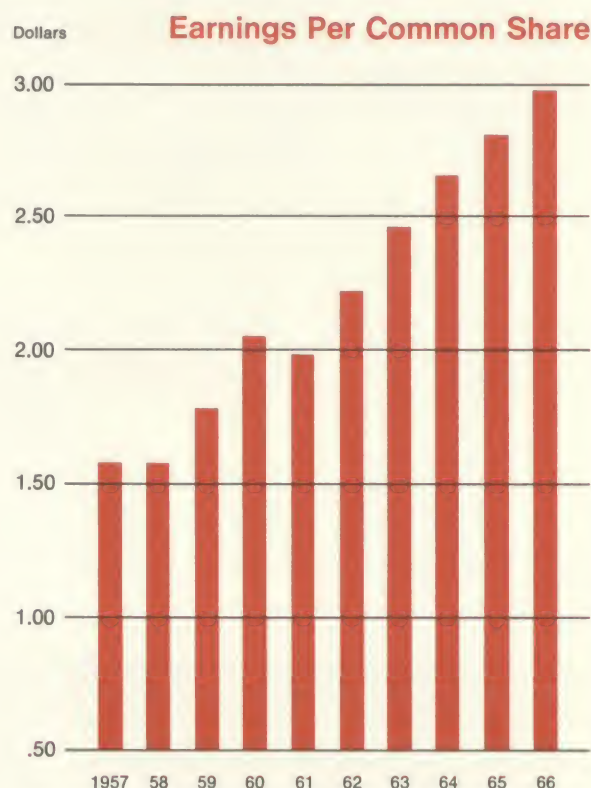
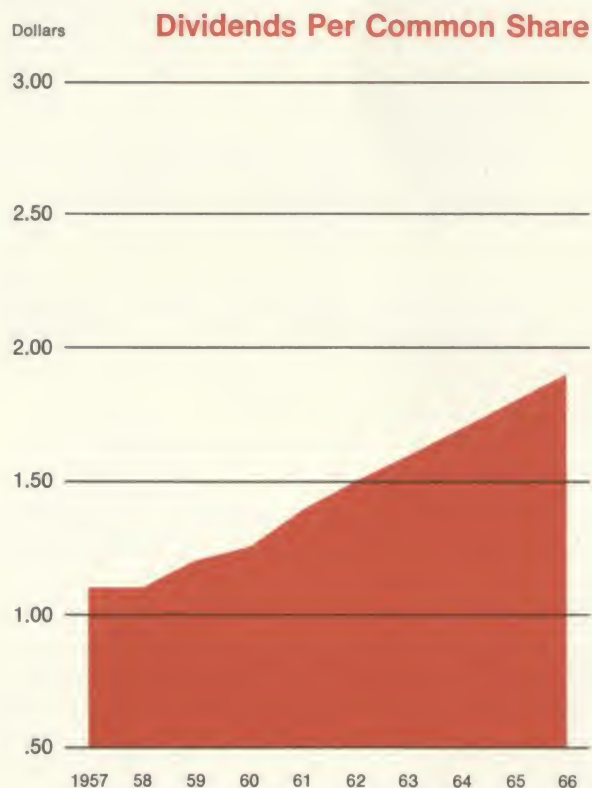
To this end, monthly seminars have been held in the General Office for each of the various levels of management. Throughout the divisions and their sales and production organizations innumerable programs are in progress. Many of these are designed to cover specific subjects and tailor-made to meet the needs of the various groups. Over a period of time, it is expected that these programs will broaden the perspective of our people and enhance their capabilities to meet the requirements of their assignments in the day to day operations of a large and growing company.

At the end of the year, our financial position continued to be strong. Working capital totaled \$98.1 million.

To meet the requirements of the Company's continuing growth and expansion, in February 1966 the Board of Directors authorized the purchase of a limited number of shares of the Company's common stock.

The suspension of the investment credit by the Federal Government in October 1966 had no material effect on our net earnings. The Company's practice is to amortize the investment credit over the lives of the qualifying assets. Thus, the unamortized balance of previously earned investment credit will continue to benefit future net income.

Finally, and in summary, all of our activities during the past year, ranging from the development of new varieties and products, to capital expenditures for new plant and equipment, to the acquisition of companies abroad, have given us a greater degree of diversification than we have ever enjoyed before. This diversification by product line, as well as by geographic location, places us in a sound position for continued growth and prosperity.



From a modest beginning in the late 1920's when NABISCO started its international operations in Canada and Great Britain, our business outside of the United States has now grown to an annual volume in excess of \$150,000,000. This is more than the total sales of the entire Company in 1941. Today, the International Division is the fastest growing and second largest division of the Company.

The major growth at a highly accelerated rate began in earnest in 1960. That year the Company entered the important Australian market followed by Puerto Rico and France in 1961, New Zealand and a biscuit operation in Great Britain in 1962, Germany in 1964, Italy and Nicaragua in 1965, and Spain in 1966. The following tabulation quickly shows the countries of the world in which the Company is now operating and the major products produced in each.



CANADA	.....	Cookies and crackers, bread, cereals, jams and jellies, condiments.
GREAT BRITAIN	.....	Cookies and crackers, cereals, cake mixes.
VENEZUELA	.....	Cookies and crackers, fruit cake.
MEXICO	.....	Cookies and crackers, pretzels, spaghetti and macaroni, cake mixes.
AUSTRALIA	.....	Cereals, spaghetti and macaroni, gelatine desserts, floor wax.
PUERTO RICO	.....	Cookies and crackers.
FRANCE	.....	Cookies and crackers, pastry, snacks.
NEW ZEALAND	.....	Cookies and crackers, candy.
GERMANY	.....	Cookies and crackers, pretzels, snacks.
ITALY	.....	Cookies and crackers, snacks.
NICARAGUA	.....	Cookies and crackers.
SPAIN	.....	Cookies and crackers.

Placed in another perspective, NABISCO is now producing and marketing locally in countries outside of the United States with a present population of almost 350,000,000. These markets vary widely in terms of economic development, social customs, eating habits and tastes. Therefore, many products are developed specifically to meet these diversified tastes and desires. As a result we offer an extremely wide and varied range of items—over 900 to be more exact. With rising incomes and the improvement in the standards of living, the Company foresees in the international field a long-term growth potential of the first magnitude. We plan to continue to develop this potential on a sound and businesslike basis throughout the world.

Basically the Company's business abroad has been built through associations with existing national companies in order to establish a base upon which to build our future business. We bring to these companies technology and techniques. They provide us with local knowledge. In combination, we can provide consumers with new and interesting products of high quality to meet their growing demands.

„joven“ con
CHIQUILIN

¿Secretos? Mis padres me enseñaron a comer las se-
tupendas galletas Chiquilin en el desayuno, como
postre y en la merienda. Con Chiquilin me siento
crescer, bien alimentado y dispuesto para triunfar
hoy... y mañana.

GALLETAS CHIQUILIN
PARA LOS HOMBRES DEL MAÑANA

ARTIACH PRIMERA MARCA NACIONAL

URRA SAIWA

4 BLOCCHI DI VAFER
RICOPERTI DI CIOCCOLATO

NABISCO

Machen Sie eine Party-Party.

Dazu brauchen Sie Party.
Neue, pikante Cracker in 6 ver-
schiedenen Formen. Ein Fein für
den Gaumen und fürs Auge.

Geben Sie jedem Ihrer Gäste,
was er gern mag. Dem Mann, der
schöne Sachen liebt, einen Schinken.
(Roquefort-Käse, blaue Traube)

Das ist für den
der eine solide Grund-
lage braucht.
(Ei, Tomate, Kapsen)

Und das für den, der schon
eine hat. (Ohne alles)

Hier ist etwas für Leute,
die den Gaumenkitzel lieben.
(Crème-Käse, Banane, Vanille)

Und das ist für Sie selbst.
Ein Lob Ihrem Ernährungsrat.
(Roter Schinken, Limonade)

Party. Pikante Cracker in 6 verschiedenen,
reizvollen Formen. Ein neuer, willkommener
Snack, wenn Sie Gäste haben.
Reichen Sie Party phantasievoll belegt oder
knusprig wie sie aus der Packung kommen.
Oder dippen Sie.
(Und vergessen Sie nicht, ein paar
Packungen mehr zu kaufen. Falls die Party
bis früh um fünf geht.)

NEUE
Party
PIKANTE CRACKER
IN 6 REIZVOLLEN FORMEN

Triller
BÄCKER DER
WELTBERÜHMTE
RITZ-CRACKER

Colorful advertisements and display pieces like these promote products of NABISCO operations in Spain, upper left; Italy, above; and Germany, left.

The companies themselves, with specialized technical assistance from the United States, are managed in most cases by citizens of the country in which they are located. These executives provide effective management skilled in and knowledgeable about the national markets they serve. Accordingly, each has individual operating authority and profit responsibility.

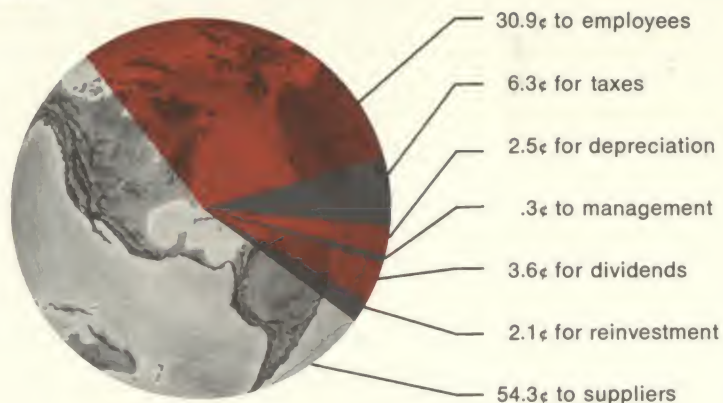
The importance of these associations with their many outstanding people who have a wealth of knowledge and experience in their local businesses and markets is fully recognized by the Company's management. They have proven to be an invaluable asset to our international business, particularly when we recognize the market potential involved and the fact that we employ approximately 12,000 people outside of the United States.

There are many specific examples of the vitality of the International Division. The building of new modern facilities in Italy and Australia, the expansion of facilities in France, Spain and Mexico are prime examples. These plants, of course, are being installed to continue our introduction of new local products and to produce outstanding snack and cracker products which have been so successful in the United States. A typical example of the latter is the introduction of RITZ Crackers throughout Europe. Among our new local products are URRA Chocolate Wafers in Italy, CRUMBLE CREME Sandwich Cookies in Britain, PARTY Crackers in Germany, TAN TAN Creme Sandwich Cookies in Spain, RICE KRINKLES Cereal in Australia, and VITA CRISP Crackers in New Zealand, to mention but a few. Furthermore, plans are currently under way for additional product introductions around the world. All this expansion has been accomplished within the balance of payments guidelines as established by our Federal Government.

To enable our people to use their already fine abilities more effectively wherever they may be, the Company is attempting to interchange their knowledge and experience to the benefit of all. To this end a "European Council" has been established for the express purpose of coordinating and exchanging management expertise. It provides a forum and an opportunity for key personnel to meet on a scheduled basis throughout the year to discuss and exchange ideas concerning the management of our business. As our Company grows in other parts of the world, we envision the possibility of establishing similar councils for the Central and South American area and for the Australasian area. In addition, to further this program, the Company is planning another global conference in May 1967.

Our international business has made great strides since 1960—strides not only in geographic and product diversification, but also in the all-important area of increased volume and profits as well. Management believes that this trend will continue and that even more favorable opportunities for us lie ahead in a constantly more affluent world with its peoples growing ever closer together through high-speed transportation and communications. Therefore, our long-range plans include provisions to take advantage of these worldwide opportunities.

HOW EACH WORLDWIDE NABISCO SALES DOLLAR WAS USED



SUMMARY OF OPERATIONS—1966

(Thousands of Dollars)

We received from sale of our products	\$719,557	100%
We expended for		
Raw materials, supplies and services	391,337	54.3
Employees' wages and benefits	222,086	30.9
Direct taxes, except social security taxes	45,442	6.3
Depreciation on plant and equipment	18,023	2.5
Officers' salaries for management of the business ...	1,820	.3
Leaving profits* which were		
Distributed as dividends to the shareholders	\$25,915	3.6
Retained in the business for expansion and modernization	14,934	2.1

*National Biscuit Company also received interest and miscellaneous income of \$1,553,000 and incurred interest expense on subordinated debentures of \$1,708,000. These items, after taxes, reduced net income by \$29,000.

CHANGES IN CONSOLIDATED WORKING CAPITAL

(Millions of Dollars)

	1966	1965
Funds Provided by		
Net income	\$40.8	\$38.4
Depreciation	18.0	17.3
Total funds provided	58.8	55.7
Funds Applied to		
Dividends declared	25.9	24.6
Additions to plant and equipment	25.6	23.1
Purchase of treasury stock	4.1	—
Other items (net)	3.2	6.7
Total funds applied	58.8	54.4
Increase (decrease) in working capital	\$ —	\$ 1.3
Consisting of changes in		
Cash and marketable securities	\$(16.3)	\$(6.5)
Accounts receivable	6.3	2.1
Inventories	7.0	8.0
Current liabilities	3.0	(1.5)
Restatement (1965 adjustment)	—	(.8)
	\$ —	\$ 1.3

FINANCIAL POSITION

	December 31, 1966	December 31, 1965
CURRENT ASSETS		
Cash	\$ 19,033,000	\$ 18,053,000
Marketable securities, at cost (approximately market)	33,281,000	50,606,000
Accounts receivable	38,961,000	32,689,000
Inventories	88,613,000	81,579,000
TOTAL CURRENT ASSETS	179,888,000	182,927,000
LESS CURRENT LIABILITIES		
Accounts payable and accrued expenses	54,373,000	54,829,000
Common dividend payable	6,462,000	6,158,000
Federal and foreign taxes on income	20,971,000	23,877,000
TOTAL CURRENT LIABILITIES	81,806,000	84,864,000
WORKING CAPITAL	98,082,000	98,063,000
Plants, real estate, machinery and equipment	159,324,000	152,757,000
Other assets	8,722,000	2,617,000
Excess of investment over net assets in subsidiaries	26,506,000	26,506,000
TOTAL ASSETS LESS CURRENT LIABILITIES ...	292,634,000	279,943,000
DEDUCT		
4¾ % subordinated debentures, due April 1, 1987	35,706,000	36,495,000
Deferred income taxes and investment credit	13,093,000	10,727,000
Minority interest in consolidated subsidiaries	2,348,000	2,061,000
EXCESS OF ASSETS OVER LIABILITIES	\$241,487,000	\$230,660,000
REPRESENTED BY		
Capital stock, common—Par value \$5	\$ 68,460,000	\$ 68,460,000
Shares authorized 24,000,000, issued 13,691,922 ...		
Additional paid-in capital	923,000	923,000
Retained earnings	176,182,000	161,277,000
Less: Treasury stock, at cost—84,300 shares	(4,078,000)	—
	\$241,487,000	\$230,660,000

(Financial statements should be read in conjunction with notes appearing on pages 16 and 17.)

INCOME AND RETAINED EARNINGS

	1966	1965
NET SALES	\$719,557,000	\$675,640,000
Cost of sales	447,657,000	414,947,000
Selling, general and administrative expenses	158,834,000	154,009,000
Depreciation	18,023,000	17,297,000
Taxes (other than federal and foreign taxes on income) ..	16,838,000	14,696,000
Interest and miscellaneous income, net	(1,553,000)	(1,667,000)
Interest on subordinated debentures	1,708,000	1,734,000
Federal and foreign taxes on income	37,230,000	36,223,000
TOTAL	678,737,000	637,239,000
 NET INCOME	 40,820,000	 38,401,000
Retained earnings January 1	161,277,000	147,507,000
	202,097,000	185,908,000
Common dividends declared, \$1.90 per share in 1966, \$1.80 per share in 1965	25,915,000	24,631,000
Retained earnings December 31	\$176,182,000	\$161,277,000

(Financial statements should be read in conjunction with notes appearing on pages 16 and 17.)

NOTES TO FINANCIAL STATEMENTS

Consolidation Effective January 1, 1966, the Company consolidated the balance of its foreign subsidiaries, except for its interest in Galletas Artiach, S.A., Spain, acquired in 1966. The 1965 financial statements are restated for comparability. Previously reported 1965 net income and retained earnings at January 1, 1965 are not affected by the restatement since provisions for such results, which were not material in amount, had been made.

Amortization and Depreciation Beginning January 1, 1966, the excess of investment over net assets in subsidiaries is not being further amortized. In the opinion of management, there has been no reduction in the value of these investments. The amount reflected in the statement of financial position is net of an amortization reserve of \$2,864,000, created by charges against income in years prior to 1966.

For domestic property, plant, and equipment acquired after January 1, 1966, the Company changed, for financial reporting purposes only, from an accelerated method of computing depreciation to the straight-line method.

Our independent auditors concur with these changes as indicated in the accompanying Report of Auditors. These changes resulted in an increase in consolidated net income of approximately \$1.1 million.

Inventories generally are stated at average cost or market, whichever is lower, and represent

	1966	1965
Raw materials and supplies	\$51,753,000	\$49,922,000
Finished product	36,860,000	31,657,000
	<u>\$88,613,000</u>	<u>\$81,579,000</u>

Plants, Real Estate, Machinery and Equipment are stated at cost and comprise

	1966	1965
Buildings	\$106,340,000	\$100,832,000
Machinery and equipment	230,605,000	216,221,000
	<u>336,945,000</u>	<u>317,053,000</u>
Less allowances for depreciation	185,582,000	171,327,000
	<u>151,363,000</u>	<u>145,726,000</u>
Land	7,961,000	7,031,000
	<u>\$159,324,000</u>	<u>\$152,757,000</u>

Investment Credit The Company's policy is to amortize the investment credit over the lives of the qualifying assets.

Long Term Leases Annual rentals on properties operated by the Company under leases expiring from 1970 to 1982 aggregate approximately \$3,395,000.

Other Commitments In the course of its normal and continuing business requirements, the Company has commitments in regard to plant and equipment of about \$20 million at the end of 1966, relatively unchanged from a year ago.

Stock Option Plan In April 1964, the shareholders of the Company approved a Stock Option Plan authorizing the granting of options to officers and other key employees of the Company and its subsidiaries to purchase 250,000 shares of the Company's common stock at not less than 100% of the fair market value of the stock on the date the options are granted. All options must be exercised within a period of five years from the date granted and are not exercisable until after the second anniversary date. On January 1, 1966 there were options outstanding to purchase 116,100 shares at prices ranging from \$59.19 to \$68.00. Options for the purchase of 28,500 shares at \$44.31 were granted during 1966. No options were exercised during 1966 although options covering 30,325 shares were exercisable. Options for 2,050 shares were cancelled during 1966 with the result that at December 31, 1966 there were options outstanding to purchase 142,550 shares.

Consolidated Foreign Subsidiaries are included in the financial statements for 1966 at the following U. S. dollar amounts (translated at appropriate rates of exchange): working capital, \$11,850,000; net plant assets, \$51,084,000; net sales, \$153,170,000; and net income of \$5,528,000 after minority interest.

REPORT OF AUDITORS

To the Shareholders of National Biscuit Company:

We have examined the statement of financial position of National Biscuit Company and consolidated subsidiaries as of December 31, 1966, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As in prior years, we were furnished reports of other public accountants upon their examinations of the financial statements of certain foreign subsidiaries. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based upon such reports. We previously made a similar examination of the financial statements for the year 1965 which have been restated to reflect the change, in which we concur, in consolidation policy made in 1966 as described in the notes to the financial statements on page 16.

In our opinion, the aforementioned financial statements present fairly the financial position of National Biscuit Company and consolidated subsidiaries at December 31, 1966 and 1965, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the changes, in which we concur, in accounting for the amortization of excess of investment over net assets of subsidiaries acquired, and depreciation, described in the notes to financial statements on page 16.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, Feb. 1, 1967

DIRECTORS AND OFFICERS

Board of Directors

LAWRENCE A. APPLEY
LEE S. BICKMORE
BERFORD BRITTAIN, JR.
NILE E. CAVE
WILLIAM H. COLVIN
JESS H. DAVIS
HARRISON F. DUNNING
CHARLES W. LUBIN
DON G. MITCHELL
WILLIAM H. MOORE
ALEXANDER C. NAGLE
ROBERT M. SCHAEBERLE
CARROL M. SHANKS
PERRY M. SHOEMAKER

Director Emeritus
ROY E. TOMLINSON

Executive Committee

LAWRENCE A. APPLEY
LEE S. BICKMORE
NILE E. CAVE
JESS H. DAVIS
DON G. MITCHELL
ALEXANDER C. NAGLE
ROBERT M. SCHAEBERLE

Officers

Executive Department

LEE S. BICKMORE President
ROBERT M. SCHAEBERLE Executive Vice President
NILE E. CAVE Senior Vice President
C. EUGENE LAIR Senior Vice President
EDWARD A. OTOCKA Senior Vice President
CHARLES S. WEBSTER Senior Vice President

Vice Presidents

JOSEPH H. BURGESS, JR.
VAL B. DIEHL
CECIL C. GAREY
FRANK J. GURGONE
FARISH A. JENKINS
ROY K. KELLEY
THOMAS K. KRUG
FRANK K. MONTGOMERY, JR.
EDWIN F. MUNDY
CARL R. PILZ
HARRY F. SCHROETER
JOHN J. TOOMEY
WILLIAM E. MACKAY, Vice President and General Counsel

KENNETH M. HATCHER Secretary and Treasurer
WARREN J. ROBERTSON Controller

PRINCIPAL DOMESTIC PLANTS

BISCUIT AND CRACKER BAKERIES

Atlanta, Georgia
Buena Park, California
Chicago, Illinois
Denver, Colorado
Fair Lawn, New Jersey
Houston, Texas
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Portland, Oregon
St. Louis, Missouri

FLOUR MILLS

Carthage, Missouri
Cheney, Washington
Toledo, Ohio

SPECIALTY PLANTS

Beacon, New York(printing plant)
Buffalo, New York(pet foods)
Cambridge, Massachusetts(candy)
Dayton, Ohio(ice cream cones)
Evanston, Illinois(machine shop)
Fair Lawn, New Jersey(research and development)
Los Angeles, California(candy)
Lyons, New York(dates and cake mixes)
Mansfield, Massachusetts(candy)
Marseilles, Illinois(paperboard, printing)
South Chicago, Illinois(frozen foods)
Woodbury, Georgia(dates and pimientos)
Wrightstown, Wisconsin(cheese spreads)
York, Pennsylvania(pretzels)

CEREAL PLANTS

Battle Creek, Michigan
Chester, Pennsylvania
Minneapolis, Minnesota
Niagara Falls, New York
Oakland, California

BREAD AND CAKE BAKERIES

Albany, New York
Birmingham, Alabama
Buffalo, New York
Cleveland, Ohio
Elmira, New York
Rochester, New York
Syracuse, New York

INTERNATIONAL SUBSIDIARIES

AUSTRALIA:
Nabisco, Pty., Limited

CANADA:
Christie, Brown & Company, Limited
Matthews-Wells Company, Limited
Nabisco Limited:
Christie's Bread Division
Nabisco Foods Division

ENGLAND:
Nabisco Limited:
Nabisco Foods Division
Nabisco Frears Biscuits Division

FRANCE:
Biscuits Belin, S.A.
Biscuits Gondolo, S.A.

GERMANY:
Harry Trueller GmbH

ITALY:
Saiwa, S.p.A.

MEXICO:
Nabisco-Famosa, S.A.

NEW ZEALAND:
Griffin and Sons, Limited

NICARAGUA:
Industrias Nabisco-Cristal, S.A.

PUERTO RICO:
Arbona Hermanos Division

SPAIN:
Galletas Artiach, S.A.

VENEZUELA:
Nabisco-La Favorita, C.A.

TEN YEAR FINANCIAL REVIEW

Dollars in Millions (except per share figures)

	1966	1965*	1964	1963	1962	1961	1960	1959	1958	1957
Net sales	\$719.6	\$675.6	\$607.5	\$578.4	\$547.5	\$486.3	\$463.6	\$429.0	\$413.3	\$424.5
Earnings before income taxes	78.0	74.6	74.3	70.7	63.8	59.2	60.8	51.2	46.4	45.7
Federal and foreign taxes on income ..	37.2	36.2	37.8	36.8	33.0	30.8	31.5	26.7	24.3	23.6
Net income	40.8	38.4	36.5	33.9	30.8	28.4	29.3	24.5	22.1	22.1
Earnings retained	14.9	13.8	13.2	12.2	10.2	7.8	10.4	7.5	6.3	6.3
Net income per common share	2.99	2.80	2.66	2.47	2.22	1.98	2.04	1.78	1.59	1.59
Dividends declared										
Preferred stock	—	—	—	—	.4	1.7	1.7	1.7	1.7	1.7
Common stock	25.9	24.6	23.3	21.7	20.2	18.9	17.2	15.3	14.1	14.1
Per common share	1.90	1.80	1.70	1.60	1.50	1.40	1.25	1.20	1.10	1.10
Current assets	179.9	182.9	166.9	152.8	135.1	129.6	129.7	112.2	99.0	92.0
Current liabilities	81.8	84.8	70.1	65.8	62.8	52.4	53.9	46.0	44.5	46.9
Working capital	98.1	98.1	96.8	87.0	72.3	77.2	75.8	66.2	54.5	45.1
Plant and equipment (net)	159.3	152.8	132.4	132.1	136.5	125.3	121.4	121.3	130.0	133.0
Plant and equipment expenditures	25.6	23.1	14.7	11.8	24.0	16.8	11.5	8.4	9.7	21.6
Cost of employees' services	222.1	208.5	189.2	180.3	172.5	156.8	148.9	140.1	136.2	135.6
Provision for all taxes (except social security)	45.4	43.9	44.2	43.2	39.9	36.1	36.7	31.5	29.0	28.1
Book value of common stock	241.5	230.7	216.9	203.7	191.5	195.7	187.8	171.1	163.7	157.4
Book value per common share	17.75	16.85	15.84	14.88	13.99	14.50	13.92	13.40	12.81	12.32
Number of shareholders	77,600	78,500	80,000	80,500	81,400	83,200	77,300	75,800	75,700	75,600

*Restated to include subsidiaries consolidated in 1966.





NATIONAL BISCUIT COMPANY

**425 PARK AVENUE
NEW YORK, NEW YORK 10022**